

ROUTING

**Top Secret**

(Security Classification) 25X1

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday January 6, 1977

CG NIDC 77-004C

**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Thursday January 6, 1977.

The NID Cable is for the purpose of informing senior US officials.

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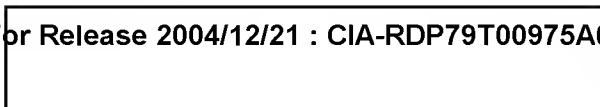
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#### USSR-IRAN: Nuclear Cooperation

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[REDACTED] Soviet participation in Iran's economic development is expanding to include the field of nuclear power.

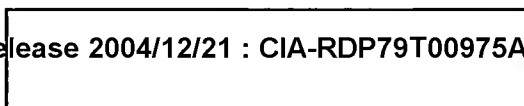
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[REDACTED] Iran was the largest cash customer for Soviet industrial equipment in the third world even before the two sides signed a \$3-billion trade agreement several months ago. Iran awarded more than \$1 billion in construction contracts to the USSR last year. Negotiations are continuing on expansion of the Soviet-built steel plant at Isfahan and possible Soviet participation in a second gas pipeline to supply Iranian customers in Western Europe.

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25X1 [ ] The expansion of economic ties has recently been matched by positive political signals, despite continuing Soviet criticism of Iran's huge military purchases in the West. Following Iran's decision to return a Soviet defector late last year, the Soviets abruptly halted clandestine broadcasts by Iran's outlawed communist party. Iran also permitted a port call by Soviet warships late last year as well as overflights by TU-95 naval reconnaissance aircraft.//

25X1 [ ] Despite their mutual mistrust, both the USSR and Iran have an interest in keeping their relations on an even keel. For Moscow, the material benefits of the relationship are important enough to warrant a degree of harmony. The USSR, of course, also wants to have a reasonably friendly government on its southern border. For Iran, the proximity of Soviet power dictates an effort to ensure correct relations. [ ]

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25X1 [ ] USSR: Record Grain Harvest

25X1 [ ] The record grain harvest announced yesterday by the Soviets--223.8 million metric tons--is attributable primarily to good weather and some improvements in organization of the harvesting.

25X1 [ ] The previous record was 222.5 million tons in 1973; the poorest crop in the last decade was the 140 million harvested in 1975. As in the past, the 1976 crop will presumably be subject to some post-harvest losses during transportation, processing, and storage.

25X1 [ ] The USSR purchased an additional 12.6 million tons of grain in 1976, despite the record harvest. Part of these purchases stem from the poor 1975 crop, and 6.4 million tons were purchased under the US-USSR long-term grain agreement, which commits the Soviets to buy at least 6 million tons of US grain annually until 1980.

25X1 [ ] Production of potatoes--the Soviets' most important non-grain crop--is expected to be slightly more than 85 million tons. Although this is about 5 percent below the average for the past five years, supplies for consumers should be

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adequate. Potatoes supply nearly one tenth of per capita daily caloric intake in the USSR and are also important as a live-stock feed.

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[ ] The Soviets have also announced an 85-million-ton sugar beet crop, 3.5 million tons below the 1975 harvest. If the sugar content of the beets is average, the USSR will fall about one half million tons short of its plan to produce 9.7 million tons of sugar. The slack will be taken up by imports from Cuba.

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[ ] The figure announced for the 1976 cotton harvest is 8.3 million tons--only 100,000 tons short of the 1974 record. Moscow's activity in the world cotton market dropped significantly in 1976, apparently because of a dip in Soviet cotton output in 1975. Exports probably will rise in 1977 when last year's near-record crop is available. [ ]

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#### PANAMA: Rounding Up Support

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[ ] Latin American support for Panama's position, particularly strong a few years ago, has become more qualified. The conservative governments of Chile, Argentina, and Paraguay are reserved in their backing. Other countries [ ]

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[ ] have expressed private misgivings about Panama's ability to manage the canal in an orderly way.//

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[ ] Publicly, however, almost all the governments in the hemisphere are likely to express support for Torrijos in order to show regional solidarity. Even the more conservative countries have backed demands for a new treaty incorporating some of Panama's demands. [ ]

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#### SRI LANKA: Public Discontent

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[ ] Prime Minister Bandaranaike is having difficulty dealing with labor unrest and public discontent that could damage her prospects in the parliamentary election later this year. Some of her advisers are urging her to postpone the election or to issue more emergency regulations, but she is reluctant to follow either course.

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[ ] Among the Prime Minister's problems are:

--A two-week-old rail strike, which shows no signs of ending.

--A strike threat by several government unions, and a slow-down by government physicians that has persisted for two months.

--Closure of the universities since a student was killed in November during demonstrations over high unemployment.

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[ ] The Prime Minister's party has lost 10 of 12 by-elections held since the last general election in 1970. Although many of the losses were in opposition strongholds, she is well aware that her popularity is slipping and that no incumbent government in Sri Lanka has been re-elected in the last 20 years.

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[ ] Should labor problems worsen, the Prime Minister might well consider new emergency regulations. She has, however, been gradually rescinding emergency regulations imposed to deal with insurgency in 1971 and would be hesitant to reimpose them in an election year.

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[ ] To postpone the election, which must be held by September, she would have to amend the constitution. She probably could not muster the parliamentary votes to do so. She could not count on the votes of all members of her own coalition--particularly the Communists, who are unhappy with her stand against the strikers--and even if she had such backing she would need some opposition support as well. [ ]

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